

Message Text

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ACTION EUR-12

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E.O. 11652: N/A
TAGS: EAIR, FR
SUBJECT: CONGRESSMAN VANIK'S INTEREST IN AIRBUS SALES

REFL (A) STATE 141766; (B) BONN 6790

1. SUMMARY - EMBASSY INQUIRIES REGARDING SUBSIDIZATION OF THE AIRBUS HAVE PREDICTABLY REVEALED CONSIDERABLE FRENCH SENSITIVITY. PRESS COVERAGE IN FRANCE EMPHASIZED THE BENEFITS OF THE AIRBUS SALES TO THE U.S. BALANCE OF TRADE RATHER THAN GOV SUBSIDIZATION. A FRENCH PARLIAMENTARY COMMITTEE HAS, HOWEVER, INVESTIGATED THE SUBSIDY ISSUE, AND REPORTS THAT AS OF 1977, 1,835 MILLION FRANCS HAD BEEN DISBURSED ALBEIT ON A REIMBURSABLE BASIS TO ASSIST PRODUCTION, AND AN ADDITIONAL 335 MILLION SET ASIDE FOR AIRBUS EXPORT INSURANCE. END SUMMARY

2. EMBASSY PROBES OF INDUSTRY, GOVERNMENT AND PRESS
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SOURCES FOR INFORMATION CONCERNING SUBSIDIZATION OF THE AIRBUS WERE PREDICTABLY TURNED ASIDE DUE TO CONSIDERABLE SENSITIVITY ON THE SUBJECT. WE BELIEVE FURTHER PROBING WOULD BE COUNTER PRODUCTIVE.

3. PRESS COVERAGE IN FRANCE IN CONTRAST TO THAT CITED IN BONN REFTEL SKIMMED THE SUBSIDY ISSUE, FOCUSING

INSTEAD ON THE HIGH PROPORTION OF EQUIPMENT OF U.S. ORIGIN (NEARLY ONE THIRD) IN THE AIRBUS. FOR EACH PLANE SOLD IN FRANCE, IT IS ESTIMATED SEVENTY FIVE PERCENT OF THE VALUE IS OF FOREIGN ORIGIN, WHICH PRIOR TO THE EASTERN AIRLINES SALE MEANT A NET DEFICIT OF 180 MILLION DOLLARS IN THE FRENCH TRADE BALANCE. IT TOOK THE EASTERN SALE TO BRING THE FRENCH BALANCE INTO EQUILIBRIUM WHEREAS THE U.S. TRADE BALANCE STILL BENEFITS BY 250 MILLION. THIS COULD GO EVEN HIGHER BECAUSE PLANES SOLD TO EASTERN WILL USE MORE REPLACEMENT PARTS OF U.S. ORIGIN.

4. A FRENCH PARLIAMENTARY COMMITTEE REPORT ON THE SUBSIDY ISSUE (COMMISSION D'ENQUETE SUR L'UTILISATION DES FONDS PUBLICS AUX ENTREPRISES DE CONSTRUCTION AERONAUTIQUE, NO. 2815, APRIL 21, 1977) FOUND THAT THE AERONAUTIC INDUSTRY "IMPERATIVELY" REQUIRED SUPPORT FROM THE GOVERNMENT. IT CITED SPECIFICALLY THE LACK OF COMPETITIVENESS IN THE CIVIL AIRCRAFT SECTOR, WHICH IS THE GREATEST STRENGTH OF U.S. MANUFACTURERS.

5. THE PROGRAMS TO SUPPORT THE PRODUCTION OF THE AIRBUS PERMIT THE MANUFACTURER TO DRAW UPON FUNDS APPROPRIATED BY THE GOVERNMENT WITHOUT PAYING INTEREST ON SUCH ADVANCES. IN THE CASE OF THE AIRBUS, REPAYMENT COMMENCED ONLY AFTER THE FIRST SALE WAS MADE. THE LIMITED OFFICIAL USE

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REPORT INDICATES THAT AS OF 1977, 1,835 MILLION FRANCS HAD BEEN DISBURSED FOR THE AIRBUS PROGRAM. DUE TO THE DELAYED REIMBURSEMENT SCHEDULE, FIGURES FOR 1976 SHOWED ONLY 13.30 MILLION ACTUALLY HAD BEEN REIMBURSED AGAINST 1,775 MILLION FRANCS DISBURSED.

6. ADDITIONALLY, IN ORDER TO PROMOTE THE EXPORT OF THE AIRBUS, A SPECIAL INSURANCE SYSTEM THROUGH COFACE, THE FRENCH EQUIVALENT OF EXIM BANK, WAS DEVISED. SINCE 1975, A CEILING OF 335 MILLION FRANCS HAS BEEN AUTHORIZED, ALTHOUGH THAT TOTAL HAS NOT BEEN DISBURSED. HARTMAN

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